

Linda K. Breakholt
For the Commission

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF THE
BRACKEN COUNTY WATER DISTRICT

) CASE NO.
) 96-192

STAFF REPORT

Prepared By: Mark C. Frost
Public Utility Financial
Analyst, Chief
Water and Sewer Revenue
Requirements Branch
Financial Analysis Division

Prepared By: Christopher H. Smith
Public Utility Rate Analyst
Communications, Water and
Sewer Rate Design Branch
Rates and Research Division

STAFF REPORT
ON
BRACKEN COUNTY WATER DISTRICT
CASE NO. 96-192

On May 6, 1996, Bracken County Water District ("Bracken") filed its application seeking to increase its water rates pursuant to 807 KAR 5:001, Section 10. In order to evaluate the requested increase, the Commission Staff ("Staff") performed a limited financial review of Bracken's test-period operations for the 1995 calendar year.

The scope of the review was limited to obtaining information to determine whether the test-period operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

Mark Frost of the Commission's Division of Financial Analysis performed the limited review on June 11, 1996, October 2, 1996, and December 5 and 20, 1996. Mr. Frost is responsible for the preparation of this Staff Report except for the determination of Water Sales and Attachment D, Cost of Service Study.

Comparisons of Bracken Water's actual and pro forma operations for Division I and Division II are shown as Attachment A. Based upon Staff's recommended adjustments, Bracken's merged operating statement would appear as set forth in Attachment B.

As shown in Attachment C, Bracken determined that its merged pro forma operations support a revenue requirement of \$562,345, an increase in its revenue from water sales of \$196,147. However, Staff's recommended operations as shown in the same attachment result in a revenue requirement from water sales of \$440,127, an increase in revenue from water sales of \$38,434. In addition, as discussed below, Staff recommends

approval of debt service surcharges of \$96,615 and \$18,297, resulting in a total recommended revenue increase of \$153,346. The rates contained in Attachment D will achieve Staff's recommended revenue requirement from water sales.

According to KRS 74.363 (5), when two water districts enter into a voluntary merger, any outstanding debt obligation of the original districts is to be repaid or retired from the revenues collected from that district's pre-merger customer base. To comply with this statutory requirement, Staff recommends Bracken be granted separate debt service surcharges for each division. Staff has determined that the annual debt services for Division I and Division II are \$96,615 and \$18,297, respectively. The debt service surcharges contained in Attachment D are sufficient to pay Bracken's annual debt service payments.

Staff recommends: (1) that the Division I debt service surcharge be in effect until December 31, 2015 or until the Kentucky Infrastructure Authority and the First National Bank of Brooksville debt obligations are retired; and (2) that the Division II debt service surcharge be in effect until December 31, 2001 or until the the General Electric debt obligation is retired.

If the surcharges are granted, the proceeds should be placed in separate interest bearing accounts. Monthly transfers to the surcharge accounts should be equal to the proceeds from the monthly surcharges recommended herein and should be transferred from each division's gross operating revenue prior to the revenue being dispersed for another purpose. Bracken should be directed to file with its Annual Report, an annual

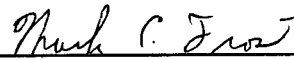
summary containing the following information: separate monthly surcharge billings and collections; separate monthly bank statements for the interest bearing surcharge accounts; and loan payments from the account. Bracken's failure to comply with the above funding requirements or to file the annual summary should warrant the revocation of the surcharges and refunding of the monies already collected, plus interest thereon.

The surcharges constitute Contributions In Aid of Construction, and should be accounted for in the manner prescribed by the Uniform System of Accounts for Class A&B Water Districts and Associations. The monthly billing should be debited to customer accounts receivable and credited to the contributions account. When the amount is collected, special funds would be debited and customer accounts credited.

On January 6, 1996, Bracken filed a proposed contract between it and Bracken County High School wherein it proposed to charge the High School a flat rate of \$3.00 per 1,000 gallons with a minimum usage of 10,000 gallons or \$30. The contract would remain in effect for a period of one year from its signing or until such time that Bracken applies for and receives approval for a change in its rates. The contract further stated that at such time that Bracken applies for and receives a change in its rates the High School would have its own special rate schedule. The average usage for the High School during 1995 was 32,208 gallons, which is not great enough to warrant a special wholesale rate. Staff is of the opinion that the High School should be charged the same rates as Bracken's other customers.

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Signatures



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Bracken County Water District

Case No. 96-192

Bracken's Requested Operations

Attachment A

DIVISION I
COMPARISON OF ACTUAL AND PRO FORMA OPERATIONS

	Test Period Actual	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$295,257	(\$47,259)	\$247,998
Operating Expenses:			
Operation & Maintenance:			
Salaries & Wages-Emp.	\$76,755	(\$1,232)	75,523
Salaries & Wages-Officers	4,500	900	5,400
Purchased Water	0	0	0
Purchased Power	25,625	0	25,625
Chemicals	18,247	0	18,247
Materials & Supplies	74,262	0	74,262
Office Rent & Utilities	3,104	4,186	7,290
Vehicle Expense	733	3,744	4,477
Contractual Services - Eng.	0	0	0
Contractual Services - Acct.	3,000	685	3,685
Contractual Services - Other	26,108	0	26,108
Contractual Services - Meter Reader	0	0	0
Insurance	12,612	4,259	16,871
Regulatory Commission Exp.	0	0	0
Miscellaneous	89	0	89
Insurance-New Tank	0	677	677
Continuing Education-3rd Operator	0	211	211
Meter Replacement	0	4,302	4,302
Tank Cleaning	0	3,750	3,750
Office Cleaning	0	764	764
Telemetry System	0	2,143	2,143
Total Operation & Maint.	\$245,035	\$24,389	\$269,424
Depreciation	57,913	0	57,913
Taxes Other Than Income Tax	7,175	0	7,175
Total Operating Expenses	\$310,123	\$24,389	\$334,512
Net Operating Income	(\$14,866)	(\$71,648)	(\$86,514)
Other Income:			
Interest	14,176	(6,074)	8,102
Other Deductions:			
Interest	36,774	0	36,774
Net Income	(\$37,464)	(\$77,722)	(\$115,186)

DIVISION II
COMPARISION OF ACTUAL AND PRO FORMA OPERATIONS

	Test Period Actual	Pro Forma Adjustments	Pro Forma Operations
Operating Revenues	\$118,200	\$0	\$118,200
Operating Expenses:			
Operation & Maintenance:			
Salaries & Wages-Emp.	\$14,400	\$25,395	39,795
Salaries & Wages-Officers	1,800	3,600	5,400
Purchased Water	47,259	(47,259)	0
Purchased Power	5,346	0	5,346
Chemicals	605	0	605
Materials & Supplies	4,240	0	4,240
Office Rent & Utilities	1,200	2,390	3,590
Vehicle Expense	0	2,205	2,205
Contractual Services - Eng.	0	0	0
Contractual Services - Acct.	1,500	315	1,815
Contractual Services - Other	8,008	0	8,008
Contractual Services - Meter Reader	0	2,646	2,646
Insurance	2,334	3,174	5,508
Regulatory Commission Exp.	0	0	0
Miscellaneous	3,276	0	3,276
Insurance-New Tank	0	0	0
Continuing Education-3rd Operator	0	104	104
Meter Replacement	0	2,118	2,118
Tank Cleaning	0	3,750	3,750
Office Cleaning	0	376	376
Telemetry System	0	1,056	1,056
Total Operation & Maint.	\$89,968	(\$130)	\$89,838
Depreciation	11,788	0	11,788
Taxes Other Than Income Tax	1,103	0	1,103
Total Operating Expenses	\$102,859	(\$130)	\$102,729
Net Operating Income	\$15,341	\$130	\$15,471
Other Income:			
Interest	470	0	470
Other Deductions;			
Interest	3,662	0	3,662
Net Income	\$12,149	\$130	\$12,279

Bracken County Water District

Case No. 96-192

Staff's Recommended Operations

Attachment B

MERGED SYSTEM
COMPARISON OF ACTUAL AND PRO FORMA OPERATIONS

	Division I Bracken County 1995 Annual Report	Division II Western Bracken 1995 Annual Report	Merged Operations	Pro Forma Adjustments	Foot- Note Ref	Pro Forma Operations
Operating Revenues:						
Water Sales	\$295,257	\$118,200	\$413,457	(\$11,764)	A	\$401,693
Operating Expenses:						
Operation & Maintenance:						
Salaries & Wages-Emp.	\$76,755	\$14,400	\$91,155	\$4,781	B	\$95,936
Salaries & Wages-Officers	4,500	1,800	6,300	4,500	C	10,800
Purchased Water	0	47,259	47,259	99,585	D	146,844
Purchased Power	25,625	5,346	30,971	(14,366)	E	16,605
Chemicals	18,247	605	18,852	(18,852)	F	0
Materials & Supplies	78,098	5,440	83,538	(43,066)	G	40,472
Office Rent & Utilities	0	0	0	7,200	H	7,200
Transportation	0	0	0	2,452	I	2,452
Contractual Services - Eng.	19,632	0	19,632	(19,632)	J	0
Contractual Services - Acct.	3,000	0	3,000	2,000	K	5,000
Contractual Services - Other	26,108	9,508	35,616	(17,072)	L	18,544
Insurance	12,612	2,334	14,946	746	M	15,692
Regulatory Commission Exp.	573	0	573	0		573
Miscellaneous	89	3,276	3,365	0		3,365
Total Operation & Maint.	\$265,239	\$89,968	\$355,207	\$8,276		\$363,483
Depreciation	57,913	11,788	69,701	114	N	69,815
Amortization	0	0	0	4,692	O	4,692
Taxes Other Than Income Tax	7,175	1,103	8,278	(458)	P	7,820
Total Operating Expenses	\$330,327	\$102,859	\$433,186	\$12,624		\$445,810
Utility Operating Income						
Other Income:						
Interest	14,176	470	14,646	0		14,646
Non-Utility Income	14,109	0	14,019	0		14,019
Net Income Available for Debt Service	(\$6,785)	\$15,811	\$8,936	(\$24,388)		(\$15,452)

A. Water Sales:

Staff prepared a billing analysis for Division I using the test-period customer information. This adjustment reflects Staff's Division I billing analysis, Bracken's Division II billing analysis, and current tariffed rates.

Merged Test-Period Water Sales per Billing Analysis	\$448,952
Less: Sales to Western Bracken	47,259
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Total Normalized Water Sales	\$401,693
Less: Reported Water Sales per 1995 Annual Reports	413,457
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Staff's Water Sales Revenue Adjustment	(\$11,764)
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B. Salaries & Wages-Emp:

In 1996 Bracken closed its well field and began to purchase its water from the City of Augusta ("Augusta"), which resulted in a reduction in the number of plant operators. An adjustment to reflect Bracken's current staff level and wages would meet the rate-making criteria of being known and measurable. Therefore, this adjustment reflects the current staff level and the pay raise granted in 1996.

Position Title	Regular	Overtime	Total
Office Manager	\$17,618	\$172	\$17,790
Account Clerk	\$6,480	\$0	6,480
Distribution Supervisor	\$22,880	\$11,864	34,744
Maintenance Employee	\$20,800	\$1,860	22,660
Meter Reader	\$7,500	\$0	7,500
Maintenance Employee	\$6,762	\$0	6,762
			<hr/>
Pro Forma Salaries & Wages-Emp			\$95,936
Less: Reported Salaries & Wages-Emp			91,155
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Staff's Salaries & Wages - Employees Expense Adjustment			\$4,781
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C. Salaries & Wages-Officers

This adjustment reflects paying each of the current commissioners a fee of \$150 per month.

\$150 (Monthly Commissioner Fee) x	12 (Months) =	\$1,800
Multiplied by: Current Number of Commissioners		6
		<hr/>
Pro Forma Salaries & Wages-Officers		\$10,800
Less: Reported Salaries & Wages-Officers		6,300
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Staff's Salaries & Wages - Officers Expense Adjustment		\$4,500
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D. Purchased Water:

On July 24, 1996, the Commission approved the purchased water contract between Bracken and Augusta. The contract requires Bracken to pay a water cost of \$0.65 per 1,000 gallons and monthly debt payment of \$4,407. This adjustment reflects the approved rates and the gallons of water Bracken sold in the test period.

144,554.000 (1995 Water Sales) x	\$0.65 (Rate per 1,000 Gal) =	\$93,960
Add: Capital Payment	\$4,407 (Monthly Charge)	12 (Months) =
		52,884
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Pro Forma Purchased Water		\$146,844
Less: Reported Purchased Water		47,259
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Staff's Purchased Water Expense Adjustment		\$99,585
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E. Purchased Power:

This adjustment reflects: (1) eliminating the electricity used at the well field; (2) reducing the Old Highway 14 (Account # 284552-10 4) bills to the minimum rate, per Bracken; (3) including the electric consumption at the new office; and (4) including the test-period actual usage at the other meters.

Staff's Test-Period Electric				\$15,686
Old Hwy. 14	284553-10 4	\$4 (Min. Monthly Bill) x	12 (Months)	48
103 Woodward	218576-21 4	New Office - 1995 Usage		348
103 Woodward	219576-81 1	New Office - 1995 Usage		523
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Pro Forma Purchased Power Expense				\$16,605
Less: Reported Purchased Power Expense				30,971
				<hr/>
Staff's Purchased Power Expense Adjustment				(\$14,366)
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F. Chemicals:

This adjustment eliminates the chemical cost from test-period operations.

Reported Chemical Expense	(\$18,852)
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G. Materials & Supplies:

This adjustment reflects: (1) removing capital expenditures from test-period operations; (2) eliminating transportation and office rent to correct classification errors; (3) eliminating the employee telephone reimbursement; and (4) eliminating the water treatment costs from this expense.

Capital Expenditures (Detail List - Depreciation Adjustment)	(\$32,659)
Transportation & Office Rent	(5,773)
Employee Telephone Reimbursement	(794)
Water Treatment Costs (Iron Out & Rust Removal)	(3,840)
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Staff's Material & Supplies Expense Adjustment	(\$43,066)
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H. Office Rent:

This adjustment reflects Bracken's current office rent of \$600 per month.

\$600 (Current Monthly Rent) x	12 (Months) =	\$7,200
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I. Transportation:

Bracken began to purchase its own gasoline in 1996. Since gasoline will be an on-going expense it should be reflected in test-period operations. This adjustment reflects the annulization of the average monthly gasoline purchases.

\$361 (Oct. thru Dec. '95 Gas Purchases) /	3 Months =	\$120
Multiplied by: 12-months		12
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Pro Forma Gas Purchases		\$1,440
Add: Actual Test-Period Automobile Repairs		1,012
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Staff's Transportation Expense Adjustment		\$2,452
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J. Contractual Services - Eng:

In 1995 Bracken's engineer performed work on the merger with Western Bracken and the construction of a new tank. The fees were paid in the test-period, and therefore, have already been recovered from Bracken's customers. While Bracken will require the services of an engineer in the future it is highly unlikely that Bracken will pay fees of this magnitude on a recurring basis. Furthermore, Bracken excluded these engineering fees from its test-period operations and did not seek recovery of the amortization. For these reasons, Staff recommends that the engineering fees be removed from test-period operations and that the fees not be amortized.

Non-recurring - Merger Costs (\$19,632)

K. Contractual Services - Accounting:

This adjustment reflects the increased 1995 auditing fee paid to Bracken's accountant.

1995 Accounting Fee	\$5,000
Less: Reported Contractual Service - Accounting	3,000
Staff's Contractual Service - Accounting	\$2,000

L. Contractual Services - Other:

This adjustment reflects: (1) removing the cost of the time clock, which is a capital expenditure; and (2) eliminating salaries and accounting fees to correct expense classification errors.

Time Clock for Pumping Station	(\$298)
Reported Salaries & Wages-Emp & Accounting Fee	(16,774)
Staff's Contractual Service - Other Expense Adjustment	(\$17,072)

M. Insurance:

This adjustment reflects the current insurance premiums paid by Bracken.

Workers Compensation:

Water Works Op.	\$71,666 (Pro Forma Maint. Salaries) x	\$0.0685	\$4,909
Office/Clerical	\$24,270 (Pro Forma Office Salaries) x	\$0.0050	121
Pro Forma Annual Base Premium			\$5,030
Add: Rate Adjustment Factor	\$5,030 x 5% (Rate) =		(252)
Expense Constant			140
Add: Kentucky Special Fund Assessment	\$4,918 x 9% (Rate) =		443
Pro Forma Workers Compensation Premium			\$5,361
Emp. Health Ins.	\$1,572 (Annual Prem) x	3 (Full Time Emp) =	4,716
Emp. Life Ins.	\$28 (Monthly Prem) x	12 (Months) =	336
Bond - State Encroachment	04503033	Period ending 09-Jan-97	102
Bond - County Encroachment	68484330	Period ending 29-Mar-97	102
Bond - Commissioner Jones	68457818	Period ending 17-Nov-97	51
Bond - Commissioner Kern	58543789	Period ending 20-Nov-97	51
Bond - Commissioner Bauer	58543970	Period ending 20-Nov-97	51
Bond - Treasurer Bauer	68191133	Period ending 20-Nov-97	305
Bond - Clerk/Collector Wilson	68454788	Period ending 12-Oct-97	175
Commercial Liability	11CMO1381	Period ending 26-Aug-97	1,955
Commercial Liability	84PR00229	Period ending 11-Dec-97	2,487
Pro Forma Insurance Expense			\$15,692
Less: Reported Insurance Expense			14,946
Staff's Insurance Expense Adjustment			\$746

N. Depreciation:

This adjustment reflects the depreciation of the capital expenditures removed elsewhere and elimination of the expensed depreciation associated with the well field.

	Expenditure	Estimated Useful Lives	Depreciation Expense
Test-Period Expenditures:			
Gas Line	\$3,307	10	\$331
Tools for Meter Installation	\$1,255	10	126
Pressure Recorder	\$521	10	52
Two Cylinder Scales	\$1,118	10	112
Meter Services	\$178	40	4
Chlorinator Control Unit	\$2,681	10	268
94-100 Diaphragm Pump Package	\$910	10	91
Portable Pump	\$1,157	10	116
Meter Services	\$2,307	40	58
2" PVC Pipe	\$1,520	40	38
White Meter Box	\$239	40	6
Meter Services Pressure Regulator	\$759	10	76
Meter Services	\$737	40	18
Flush Hydrant	\$1,531	10	153
Meter Services	\$393	40	10
Lock Seal Pin & Lock	\$1,103	10	110
Meter Services	\$1,210	40	30
1991 Chevrolet S-10 Truck	\$6,957	5	1,391
Battery Backup	\$496	5	99
Desks & Chairs	\$440	5	88
Retired Utility Plant:			
Wells & Springs			(3,063)
Staff's Depreciation Expense Adjustment			<u>\$114</u>

O. Amortization:

This adjustment reflects amortizing the telemetry repairs and the tank painting/cleaning over their estimated lives.

	Expenditure	Estimated Useful Lives	Amortization Expense
Telemetry System Repair	\$63,979	20	\$3,199
Tanks & Clearwells Painted & Cleaned in 1996	\$10,450	7	1,493
Staff's Amortization Expense Adjustment			<u>\$4,692</u>

P. Taxes of Than Income Taxes:

This adjustment reflects the pro forma salaries expense adjustment recommended herein and the current FICA rate.

Staff's Salaries & Wages - Employees Expense Adjustment	\$4,781
Staff's Salaries & Wages - Officers Expense Adjustment	4,500
Reported Salaries & Wages-Emp	(15,274)
Net Salaries & Wages Adjustment	<u>(\$5,993)</u>
Multiplied by: FICA Rate	7.65%
Staff's Recommended Taxes Other Than Income Tax Adjustment	<u>(\$458)</u>

Bracken County Water District

Case No. 96-192

Revenue Requirement Comparision

Attachment C

**BRACKEN AND STAFF
REVENUE REQUIREMENT COMPARISON**

Bracken:

	Division I	Division II	Total
Debt Service	\$93,325	\$18,072	\$111,397
Multiplied by: Requested DSC	1.2	1.2	1.2
Subtotal	\$111,990	\$21,686	\$133,676
Add: Pro Forma Operating Expenses	334,512	102,729	437,241
Total Requested Revenue Requirement	\$446,502	\$124,415	\$570,917
Less: Pro Forma Interest Income	8,102	470	8,572
Requested Revenues from Rates	\$438,400	\$123,945	\$562,345
Less: Normalized Water Sale Revenues	247,998	118,200	366,198
Requested Increase from Rates	\$190,402	\$5,745	\$196,147

Staff:

Debt Service Division I	\$96,615
Debt Service Division II	18,297
Total Debt Service	\$114,912
Multiplied by: Recommended Coverage	0.2
Recommended Debt Service Coverage	\$22,982
Add: Pro Forma Operating Expenses	445,810
Recommended Revenue Requirement	\$468,792
Less: Other Operating Revenue	28,665
Recommended Revenue from Water Sales	\$440,127
Less: Pro Forma Water Sales	401,693
Recommended Increase	\$38,434
Recommended Division I Debt Surcharge	\$96,615
Recommended Division II Debt Surcharge	18,297
Recommended Revenue from Water Sales	440,127
Total Recommended Revenue from Operations	\$555,039
Less: Pro Forma Operating Revenues	401,693
Total Recommended Revenue Increase	\$153,346

Bracken County Water District

Case No. 96-192

Cost of Service Study

Attachment D

ALLOCATION OF PLANT VALUE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
LAND AND PLANT	\$455,999		\$455,999	
DISTRIBUTION PLANT	30,535		30,535	
TRANSMISSION & DISTRIBUTION	1,842,607		1,842,607	
METERS	154,452			\$154,452
SUB TOTAL	\$2,483,593	\$0	\$2,329,141	\$154,452
PERCENTAGE	100%		94%	6%
MISCELLANEOUS	22,104		20,729	1,375
TRANSPORTATION	12,742		11,950	792
OFFICE FURNITURE	23,069		21,634	1,435
TOTAL	\$2,541,509	\$0	\$2,383,454	\$158,054
PERCENTAGE	100.00%		93.78%	6.22%
Source: 1995 Annual Reports				

ALLOCATION OF TEST YEAR DEPRECIATION

	TOTAL	COMMODITY	DEMAND	CUSTOMER
PLANT	\$203,567		\$203,567	
DISTRIBUTION	349,673		349,673	
METERS	66,725			66,725
OTHER	6,670		3,335	3,335
TOTAL	\$626,635		\$556,575	\$70,060
PERCENTAGE	100.00%		88.82%	11.18%
Source: 1995 Annual Reports				

ALLOCATION OF OPERATION AND MAINTENANCE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
SALARIES AND BENEFITS				
OFFICE	\$26,131		\$13,065	\$13,065
MAINTENANCE	72,136		72,136	
METER READING	8,083			8,083
OFFICERS	10,800		5,400	5,400
PURCHASED WATER	146,844	93,960	52,884	
POWER/SYSTEM	15,734	15,734		
POSTAGE	2,744			2,744
SUB TOTAL	\$282,472	\$109,694	\$143,485	\$29,292
LESS COMMODITY	109,694			
TOTAL	172,778			
PERCENTAGE			83.05%	16.95%
REGULATORY	573		476	97
INSURANCE	5,279		4,384	895
CONTRACTUAL	23,544		19,552	3,992
MATERIALS/SUPPLIES	37,728		31,332	6,396
TRANSPORTATION	2,452		2,036	416
POWER/OFFICE	871		723	148
OFFICE RENT	7,200		5,979	1,221
MISC.	3,365		2,794	570
TOTAL	\$363,484	\$109,694	\$210,762	\$43,026

ALLOCATION OF COST OF SERVICE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
PLANT VALUE	\$2,541,508		\$2,383,454	\$158,054
PERCENT	100%		94%	6%
OPERATION AND MAINTENANCE	\$363,484	\$109,694	\$210,762	\$43,026
DEPRECIATION AND AMORTIZATION	82,341		73,135	9,206
TOTAL OPERATING EXPENSES	\$445,825	\$109,694	\$283,897	\$52,232
LESS: OTHER INCOME	28,665		14,333	14,333
OPERATING EXPENSES	\$417,160	\$109,694	\$269,565	\$37,899
LESS BULK SALES AT \$4.00/1,000	13,908	4,000	9,908	
REVENUE REQUIRED FROM RATES	\$403,252	\$105,694	\$259,657	\$37,899

ALLOCATION OF COST TO RATE STEPS

		FIRST	OVER	BROOKSVILLE
	TOTAL	2,000	2,000	
ACTUAL SALES	141,077,652	30,785,515	80,768,137	29,524,000
PERCENT		22%	57%	21%
WEIGHTED SALES	212,247,236	61,571,030	121,152,206	29,524,000
PERCENT		29%	57%	14%
ALLOCATION OF COSTS				
COMMODITY	\$105,694	\$23,064	\$60,511	\$22,119
DEMAND	259,657	75,324	148,214	36,119
TOTAL	\$365,351	\$98,388	\$208,725	\$58,238
WATER RATE		\$5.48	\$2.58	\$1.97
CUSTOMER CHARGE	37,899	2.11		
RATE		\$7.59	\$2.58	\$1.97
DIVISION 1 DEBT SERVICE	\$96,615			
Less Brooksville's amount	13,439			
SURCHARGE		\$6.57		\$0.46
DIVISION 2 DEBT SERVICE	\$18,297			
SURCHARGE		\$3.45		
Brooksville debt service based on percentage of demand.				
Division 1 and 2 debt service based on number of customers				

VERIFICATION OF RECOMMENDED RATES

	Bills	Gallons	Rate	Revenue
First 2,000	17,950	30,785,515	\$7.56	\$135,702
Over 2,000		80,768,137	2.58	232,738
Retail Revenue	17,950	111,553,652		\$368,440
Brooksville	12	29,524,000	1.97	58,162
Bulk Sales		3,477,000	4.00	13,908
Subtotal	17,962	144,554,652		\$440,511
Surcharges				
Division 1	12,646		\$6.57	83,084
Brooksville		29,524,000	0.46	13,581
Division 2	5,304		\$3.45	18,299
Total Surcharge				\$114,964
Total Revenue				\$555,475